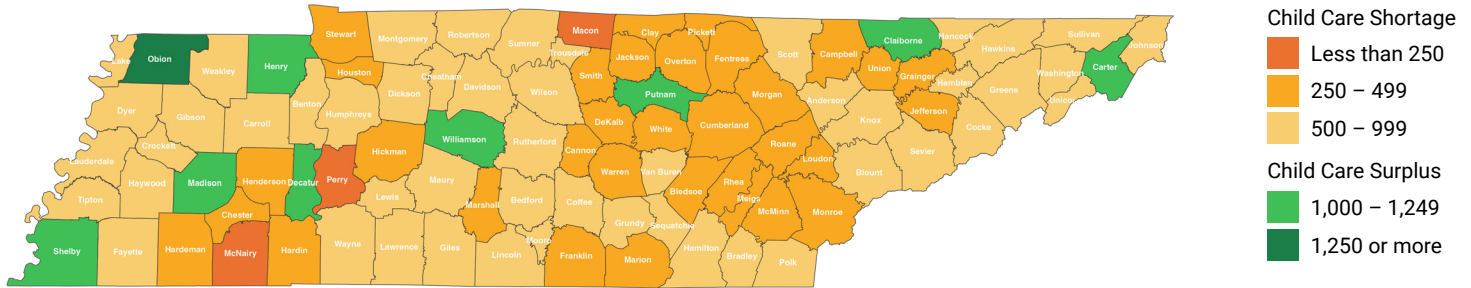


Expanding Child Care Access in Tennessee: The Role of Home-Based Providers

POLICY BRIEF

Tennessee families across the state are struggling to find affordable, accessible child care options. Home-based child care—care provided in a home for fewer children than in a center—offers a convenient, affordable option for some families and could help solve the state’s child care shortage. Yet, these small-scale providers face unique operating challenges, limited resources, and regulatory barriers that make it difficult for them to succeed and grow.

In 86 Tennessee counties, there are fewer child care spaces than children.



Number of child care seats in licensed center-based and home-based care per 1,000 children below age 5

Source: Tennessee Department of Human Services, Child Care Web Provider List, U.S. Census Bureau, American Community Survey (ACS) 2024 5-year estimates DP05 table for children below age 5.



This policy brief highlights three recommendations for how Tennessee policymakers could strengthen home-based child care providers, boosting our state’s child care supply and supporting working families and children.



POLICY RECOMMENDATIONS

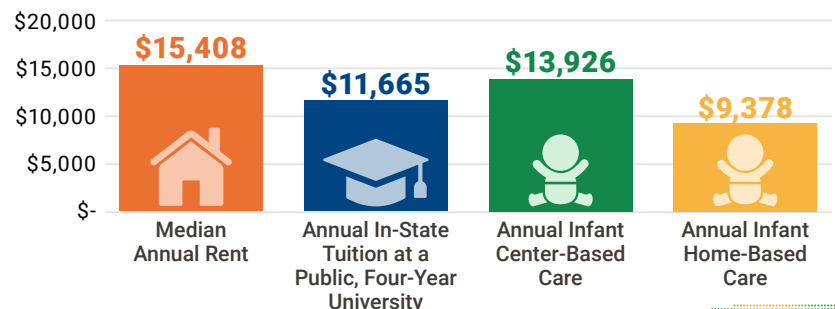
1. Reduce regulatory barriers to make it easier to start a home-based child care business.
2. Use a statewide registry to ensure state and federal support reaches unlicensed home-based providers.
3. Connect home-based child care providers to professional development resources tailored to their unique needs.

Tennessee families across the state struggle to find and afford child care.

Just nine counties have enough child care spaces for the children in their county. Access to child care is particularly challenging in rural areas—of the 35 counties classified as child care deserts in 2025, 30 were rural.¹

In addition to availability challenges, child care costs can be prohibitively expensive. While child care is considered affordable at 7% of median income, in Tennessee, center-based child care for an infant requires an estimated 12% of the median Tennessee family’s income.²

Tennessee's child care costs are comparable to the cost of housing or college tuition.



Source: Child Care in America: 2024 Affordability Analysis - Child Care Aware







Child care is either center- or home-based, depending on the setting and number of children.

In 2023, there were 3,645 licensed child care centers and 480 licensed family child care homes, totaling 323,801 licensed child care spaces in Tennessee. The exact number of unlicensed providers is unknown as they are not tracked. Yet, industry and licensure data from the same year indicate there may be as many as 9,938 unlicensed, self-employed home-based child care providers in Tennessee.³

Types of Child Care

Tennessee’s child care system includes licensed center-based care or early childhood education programs, licensed home-based child care, and unlicensed family, friends, and neighbor care.

LICENSED CHILD CARE	
 CENTER-BASED CARE <hr/> Child Care Centers provide care for at least 13 children Drop-In Centers provide care for at least 15 children for short periods of time	 HOME-BASED CARE <hr/> Group Homes provide care for 8 to 12 children Family Homes provide care for 5 to 7 children
UNLICENSED CHILD CARE	
 FAMILY, FRIENDS, AND NEIGHBORS provide care for 4 or fewer children	







Home-based care is affordable and accessible and can help address Tennessee's child care needs.

Home-based child care can offer parents a more affordable, flexible, and accessible option—particularly in rural areas—compared to center-based care.


Home-based care is often more affordable than center-based care. Nationally, the median annual price of infant home-based care has been found to be 20% to 30% cheaper than center-based care.⁴ And in Tennessee, home-based child care costs are on average 33% less than center-based care.⁵

Home-based child care, on average, costs 33% less than center-based care.

Annualized median cost for infant care in Tennessee

 Median Annual Cost for One Infant	 Child Care Center	 Group Homes	 Family Homes
Shelby	\$14,820	\$12,090	\$10,400
Sumner	\$17,451	\$10,400	\$7,800
Sevier	\$10,920	\$9,230	<i>No data available</i>

Source: Tennessee Department of Human Services, FY2025 Market Rate Survey.






Home-based care offers more accessible locations and hours. Parents in rural areas often struggle to find child care centers close to home or work and are more likely to use home-based child care providers or informal caregiving from family, friends, and neighbors.⁶ Home-based care is also more likely to operate with flexible hours, supporting the 41% of Tennessee children under age 6 whose parents work non-traditional hours.⁷

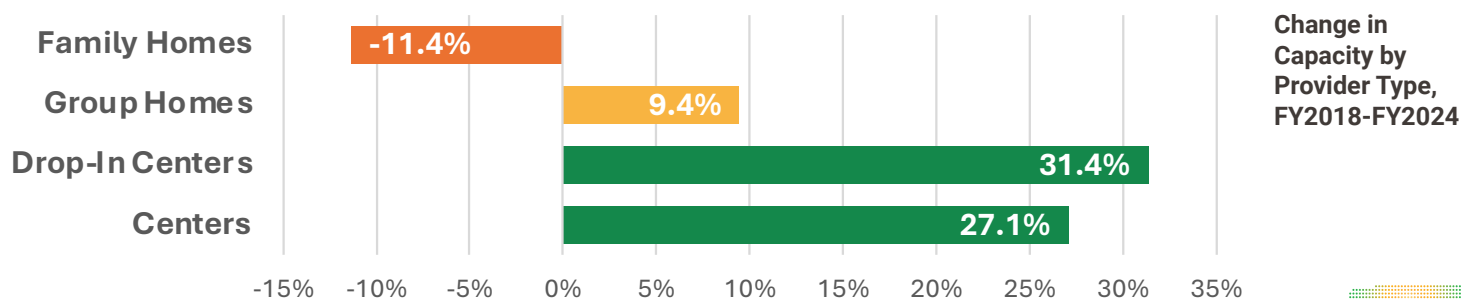
Home-based care offers parents more freedom to choose what works for their family. Many parents prefer home-based care, including parents of children with disabilities, as it offers families learning environments that reflect local community values and match their child’s developmental needs.⁸

Operational barriers, however, make it difficult to expand the availability of home-based child care.

While Tennessee's home-based child care system can play an important role in helping to address the statewide child care shortage, home-based providers face unique barriers that are limiting their expansion.

 <p>Challenging regulatory burdens</p>	<ul style="list-style-type: none"> ➤ Home-based providers can be restricted by local requirements that require expensive building renovations, making it difficult to establish a business. ➤ Home-based providers face increasingly unaffordable homeowner and general liability insurance premium costs.⁹
 <p>Expensive and time-consuming licensure processes</p>	<ul style="list-style-type: none"> ➤ Significant documentation and extensive trainings required for licensure can be lengthy, expensive, and cost prohibitive.
 <p>A lack of business training and support</p>	<ul style="list-style-type: none"> ➤ Home-based providers are less likely than center-based providers to have the capacity for business administration, leading some to struggle with issues like uncollected revenue, lower profit margins, and high rates of staff turnover.¹⁰

Child care in family homes has decreased since 2018, reflecting the challenges facing these small businesses.




Source: Tennessee Department of Human Services



Additional support could strengthen Tennessee's home-based child care and ease our child care shortage.

Targeted efforts to address the specific needs of home-based child care providers—such as increasing access to resources and reducing regulatory barriers—would bolster our state's child care capacity and help address our state's child care needs.

1



Reduce regulatory barriers to make it easier to start a home-based child care business.

Regulatory restrictions can make it challenging to establish a home business. For example, some homeowners' associations (HOAs) prohibit owners from establishing businesses out of their homes, even if local zoning laws allow it. Additionally, Tennessee is one of only 14 states that requires licensed home-based providers to hold general liability insurance.¹¹

- Prevent HOAs from prohibiting licensed home-based child care within their communities.
 - Colorado adopted protections in 2020 that preempt HOAs from prohibiting licensed home-based child care in residences while preserving the HOA's ability to regulate landscaping, parking, and noise.¹²
- Allow child care providers to lower costs by pooling coverage for liability insurance.
 - In Virginia, provider networks provide coverage—shared liability insurance options for providers and employee health benefits—that small-scale businesses struggle to afford on their own.¹³

2



Use a statewide registry to ensure state and federal support reaches unlicensed home-based providers.

A registration program can be used to establish eligibility for state and federal resources, food programs, and professional development opportunities. It enables the state to communicate critical information to unlicensed providers, creates needed data on the number and capacity of home-based child care providers, and lays the groundwork for a future licensure system tailored to small providers.

- Louisiana simplified its registration for home-based providers and encouraged registration with their child care resource and referral agencies. The effort increased registration of home-based providers and enabled distribution of COVID relief funds and supplies.¹⁴

3



Connect home-based child care providers to professional development resources tailored to their unique needs.

Home-based child care providers operate at a smaller scale and outside of a larger community of industry peers. Professional development resources and shared services networks can help support businesses and help lower operating costs, while also increasing the quality of care.

- Alabama's Kids and Kin Program provides family caregivers workshops, training, and resources as well as a voluntary health and safety certification program.¹⁵
- The Wisconsin Early Education Shared Services Network (WEESN) is a shared service alliance offering home-based child care providers access to professional development, as well as financial management tools like billing and fee collection.¹⁶

Increasing access to high-quality, affordable child care will support critical child development while allowing parents to work and support their families. Providing additional supports to home-based child care providers through these key strategies can help improve access to quality, affordable child care in Tennessee.

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